

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF WEST VIRGINIA
MARTINSBURG DIVISION

IN RE:

GEOLOGICAL TECHNOLOGIES, INC.

Debtor.

Case No. 10-01448

Chapter 11

**APPLICATION OF DEBTOR AND DEBTOR-IN-POSSESSION FOR AN ORDER
AUTHORIZING THE RETENTION AND EMPLOYMENT OF LYNCH FINANCIAL,
LLC AS FINANCIAL ADVISOR TO THE DEBTOR**

The above-captioned debtor and debtor-in-possession (the “Debtor”), hereby applies to the Court for entry of an Order Authorizing the Retention and Employment of Lynch Financial, LLC (“Lynch”) as financial advisor in this chapter 11 case (the “Bankruptcy Case”), pursuant to § 327(a) of the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Rules for entry of the proposed order annexed hereto as **Exhibit A** (the “Order”) appointing Lynch as financial advisor to the Debtor. In support of this application, the Debtor submits the affidavit of David L. Lynch, CPA, founder of Lynch Financial, LLC (the “Lynch Affidavit”), a copy of which is attached as **Exhibit B** and incorporated herein by reference; and respectfully represents as follows:

Jurisdiction and Venue

1. This is a core proceeding pursuant to 28 U.S.C. § 157(b).
2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334.
3. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

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Background

4. On the date hereof (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Pursuant to §§ 1107 and 1108 of the Bankruptcy Code, the Debtor retained possession of its property and is authorized thereby, as a debtor-in-possession, to continue the operation and management of its business.

5. The general facts and circumstances leading to the filing of this Bankruptcy Case and this application are set forth in the *Affidavit of Tina M. Mauck, Chief Financial Officer of Geological Technologies, Inc., in Support of First Day Motions and Applications* (the “Mauck Affidavit”) filed on the Petition Date as an exhibit to the First Day Motions, which affidavit is incorporated by reference.

Relief Requested

6. The Debtor desires to employ and retain Lynch to serve as financial advisor in this chapter 11 Bankruptcy Case, pursuant to §§ 327(a) and 328(a) of the Bankruptcy Code to provide the Debtor with financial advising services for Debtor’s reorganization as more fully set forth in the Letter Agreement attached hereto as **Exhibit C**, and on the terms and subject to the conditions described therein (the “Letter Agreement”). As set forth below, Lynch is particularly well-suited to provide the type of representation required by the Debtor and the Debtor believes that it would be best served by engaging Lynch as its financial advisor.

Retention of Lynch Financial, LLC

7. Prior to the Petition Date, in November 2009, Debtor employed Lynch to attempt a reorganization outside of bankruptcy. Lynch was employed to manage and protect daily cash flow, prepare financial projections on a short and long term basis, and help management make

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appropriate decisions toward an effective reorganization.

8. Because of Lynch's prior employment by Debtor, Lynch is particularly well-suited to advise the Debtor during the course of the chapter 11 reorganization.

9. The Debtor seeks to employ Lynch as its financial advisor in connection with its chapter 11 Bankruptcy Case. Pursuant to § 328(a) of the Bankruptcy Code, the Debtor requests that the Court approve the employment of Lynch as its financial advisor for \$3,000 per month payable as described in the Letter Agreement. Pursuant to § 328(a) of the Bankruptcy Code, the Debtor may retain Lynch pursuant to any reasonable terms and conditions. The Debtor believes that the fee and expense arrangement in a competitive national market for financial advisor services is inherently reasonable and agrees to pay Lynch according to those terms.

10. The Debtor has selected Lynch as its financial advisor because of Lynch's extensive experience and knowledge in advising financially distressed entities and advising on the liquidation of non-performing assets. Accordingly, Lynch has the necessary background to deal effectively with the Debtor's financial issues surrounding the reorganization on the terms and conditions set forth in the Letter Agreement. The Debtor believes that Lynch is both well qualified and uniquely able to represent it in these proceedings in an efficient and timely manner.

11. The employment of Lynch is appropriate and necessary to enable the Debtor to execute faithfully its duties as Debtor and debtor-in-possession. Subject to further order of this court, it is proposed that Lynch be employed to represent the Debtor in the specific matters set forth in its Letter Agreement including, but not limited to, providing the financial advisor services set forth in the Letter Agreement.

12. It is necessary for the Debtor to employ a financial advisor in this matter.

13. Lynch has stated its desire and willingness to act in this case and to render the

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necessary professional services as financial advisor to the Debtor on a flat fee basis.

14. To the best of the Debtor's knowledge, the members of Lynch do not have any connection with, or any interest adverse to, the Debtor, its creditors, or any other parties in interest, or their respective attorneys and accountants, except as may be set forth in the Lynch Affidavit. In that regard and to the extent that, with respect to a specific issue, a perceived conflict may exist, such matter shall be handled by another financial advisory firm specifically appointed to handle such matters. Thus, the Debtor believes that Lynch is a "disinterested person," as defined in § 104(14) of the Bankruptcy Code.

15. Subject to Court approval in accordance with § 330(a) of the Bankruptcy Code, and subject to any order entered by the Court in this case, the Debtor has agreed to pay \$3,000 per month to Lynch for its financial advisory services.

16. The Debtor has also agreed, subject to orders of this Court, to reimburse Lynch, for all actual out-of-pocket expenses incurred by it on the Debtor's behalf, including the types of expenses described in the Letter Agreement.

17. Since the inception of the relationship, the Debtor has paid Lynch \$29,000.00.

18. The Debtor understands that Lynch intends to apply to the Court for allowance of compensation and reimbursement of expenses in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules, and orders of this Court for services performed and expenses incurred on a periodic basis after the Petition Date.

Notice

19. Notice of this Motion has been given to: (i) the Berkeley County Sheriff's Tax Office; (ii) the Office of the Assistant United States Trustee; (iii) the West Virginia Department of Tax and Revenue; (iv) all of Debtor's known creditors; and (v) all parties

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known to be affected by this pleading.

No Prior Request

20. No prior application seeking the relief requested herein has been made to this Court or any other court.

WHEREFORE, the Debtor respectfully requests entry of the Order and such other and further relief as the Court deems appropriate and just.

GEOLOGICAL TECHNOLOGIES, INC.

By: /s/ A. Carter Magee, Jr.

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